

Message Text

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LAB-04 AID-05 DODE-00 SS-15 NSC-05 SP-02 OMB-01 IGA-02

PA-01 PRS-01 USIE-00 CIAE-00 INR-07 NSAE-00 STR-04

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FM AMEMBASSY JIDDA

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INFO AMCONSUL DHAHRAN

AMEMBASSY ABU DHABI

C O N F I D E N T I A L SECTION 1 OF 2 JIDDA 1582

PASS TREASURY

ABU DHABI PLEASE PASS SECRETARY SIMON

E.O. 11652: GDS

TAGS: OVIP, USSAEC (SIMON, WILLIAM E.)

SUBJECT: VISIT OF TREASURY SECRETARY SIMON; SAUDI ECONOMIC AND
FINANCIAL FIGURES DISCUSS BOYCOTT

1. SUMMARY:

TREASURY SECRETARY SIMON, ACCOMPANIED BY WHITE HOUSE
SOUNSELOR SEIDMAN TREASURY OFFICIALS AND EMBOFFS MET WITH SAG
OFFICIALS FEBRUARY 29 TO DISCUSS DRAFT OF JOINT COMMUNIQUE
WITH PARTICULAR ATTENTION TO BOYCOTT PROBLEM. MINFIN
ABA AL-KHAIL SAID HE HAD NOT HAD TIME TO READ COMMUNIQUE
WHICH WAS LEFT FOR OTHER OFFICIALS. SAUDIS EMPHASIZED
THAT BOYCOTT HAD NOTHING TO DO WITH RACE OR RELIGION,
AND BOYCOTT QUESTION TOOK UP CONSIDERABLE AMMOUNT OF DIS-
CUSSION. SAUDI MINISTER EMPHASIZED THAT BOYCOTT LIST NOT
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SAUDI DOCUMENT BUT THAT OF ARAB LEAGUE. DESPITE SEC-

RETARY'S OPINION THAT BOYCOTT PROBLEM WAS TRANSITORY, SAUDI OFFICIALS FELT THAT THE ADMINISTRATION'S POSTURE ON THE BOYCOTT BILL WAS HARD TO UNDERSTAND. MINISTER OF COMMERCE PROVED TO BE PRINCIPAL COMPLAINANT RE BOYCOTT AND EMPHASIZED THE POTENTIAL LOSS TO THE U.S. IF BOYCOTT MATTERS WORSENED. SECRETARY SIMON POINTED OUT THAT THE ARGUMENT ON LOST DOLLARS OPPORTUNITY, BEING NO JUSTIFICATION FOR DISCRIMINATION, WOULD MAKE MATTERS WORSE IF SAG USED IT. MR. SEIDMAN, WHITE HOUSE COUNSELOR, REVIEWED PRESIDENT FORD'S NOVEMBER 20 BOYCOTT STATEMENT WITH EMPHASIS ON THE FACT THAT ACTION WAS NOT DIRECTED AT ANY ONE COUNTRY. PROBLEMS REGARDING THE VISA QUESTION WERE RAISED BY MR. PARSKY, WHO ALSO SHOWED GRATIFICATION TO THE SAG FOR ITS HELPFULNESS IN WAIVING RELIGIOUS AFFILIATION SEGMENT ON VISA APPLICATION FOR COMMISSION MEMBERS. IN REPLY TO THE SUGGESTION THAT THIS PRACTICE BE PUT INTO GENERAL USE, ABA AL-KHAIL STATED THAT THIS WAS PART OF THE FONMINISTRY'S RESPONSIBILITY. QUESTIONS REGARDING THE FEDERAL RESERVE BOARD LETTER ON THE BOYCOTT WERE RAISED AND IT WAS NOTED THAT THE SAUDI ARABIAN MONETARY AGENCY WAS TRYING TO WORK OUT NEW LANGUAGE FOR LETTERS OF CREDIT. MINISTER OF ELECTRICITY AND INDUSTRY GHOSAIBI COMMENTED THAT DESPITE THE CHANGE IN ISSUES, THE OBJECTIVE OF CERTAIN CIRCLES WAS TO INJURE US-SAG RELATIONS. MINFIN INTERJECTED THAT THIS WAS OF GREAT CONCERN TO SAUDI ARABIA. THE MOST DIFFICULT PROBLEM ON THE BOYCOTT WAS THE UNCERTAINTY OF BUSINESS CLIMATE IN THE U.S. AND S.A. REGARDING THE JOINT COMMUNIQUE, MR. SEIDMAN'S STATEMENT WAS GENERALLY ACCEPTED CONCERNING THE PRESIDENT'S INTENTION BY THE SAUDIS, WHO CONSIDER THEMSELVES A COUNTRY FRIENDLY TO THE U.S.. MUCH WAS MADE OF THE FACT THAT PRESS REPORTS ON THE NOVEMBER 20 STATEMENT GAVE UNDUE EMPHASIS TO SAUDI ARABIA. REFERRING TO KING KHALID'S MILD STATEMENT, IT WAS STATED THAT THESE MINUTES IN AN AUDIENCE WITH THE KING COULD NOT BE QUOTED BUT THE TONE COULD BE INTRODUCED INTO THE JOINT COMMUNIQUE. MINISTER GHOSAIBI ASKED IF THE USG WANTED TO PLAY A ROLE IN PETROCHEMICAL PLANS OR LEAVE IT TO PRIVATE COMPANIES. SECRETARY SIMON EXPLAINED THAT USG COULD NOT PLAY A DIRECT ROLE BUT THAT A FACILITATIVE ROLE WAS POSSIBLE TO ASSIST THE PARTIES IN

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REACHING AN AGREEMENT. GHOSAIBI COMPLAINED ABOUT BEING FLOODED BY CONSULTANTS, DESIGNERS, ETC., BUT FEW POTENTIAL INVESTORS IN SAUDI ARABIA. SAG'S GREAT DESIRE IS TO ESTABLISH JOINT VENTURES TO PRODUCE CONSUMER GOODS. ALL OF THE SAUDI MINISTERS REFERRED TO VERY FAVORABLE SAUDI LAWS IN THAT REGARD. END SUMMARY.

1. TREASURY SECRETARY SIMON, WHITE HOUSE COUNSELOR

SEIDMAN AND TREASURY ASSISTANT SECRETARY PARSKY, ACCOMPANIED BY ECON COUNSELOR AND EMBASSY LIAISON OFFICER, MET WITH FINANCE MINISTER ABA AL-KHAIL, COMMERCE MINISTER SOLAIM, INDUSTRY AND ELECTRICITY MINISTER GHOSAIBI, SAMA GOVERNOR QURAISHI, AND DEPUTY FINANCE MINISTER AL-TURKI AT 4:30 P.M. ON FEBRUARY 29. CHARGE DID NOT ATTEND BECAUSE OF MEETING SCHEDULED WITH FOREIGN MINISTER SAUD AT ABOUT SAME TIME.

2. AFTER INTRODUCTORY

AMENITIES AND IN A RELAXED AND CORDIAL ATMOSPHERE, MR. PARSKY ASKED WHETHER SAUDI OFFICIALS HAD STUDIED DRAFT JOINT COMMUNIQUE. PARSKY SAID THIS SHOULD BE DONE SINCE COMMUNIQUE HAD A SECTION ON BOYCOTT PROBLEM WHICH WAS IMPOORTANT. MINISTER AL-KHAIL SAID HE HAD NOT HAD TIME, OCCUPIED AS HE WAS WITH THE JOINT COMMISSION MEETINGS, TO STUDY IT. BUT HE AFFIRMED -- REFERRING TO SECRETARY SIMON'S DISCUSSION WITH KING KHALID ON FEBRUARY 28 -- THAT THE BOYCOTT WAS A PROBLEM FACING JOINT COMMISSION ACTIVITIES. HE RECALLED KING HAD SAID BOYCOTT HAD NOTHING TO DO WITH RACE OR RELIGION. MINISTER SAID SAG ALSO HAD THOUGHT THAT WHEN THE US TALKED ABOUT THE BOYCOTT, THE EMPHASIS WAS IN REFERENCE TO SAUDI ARABIA. HE REMARKED THAT IT WAS THE "SAUDI ARABIAN BLACKLIST" THAT WAS POINTED TO IN THE US WHEN IN REALITY IT WAS THE "BLACKLIST" OF THE ARAB LEAGUE. THE BOYCOTT, ABA AL-KHAIL SAID, WAS BECOMMING A MAJOR PROBLEM TO STRENGTHENING SAUDI-US RELATIONS EVEN THOUGH THESE ARE BASED ON SPECIAL TIES GOING BACK FORTY YEARS OR SO. THE MINISTER ASKED SECRETARY SIMON IF HE WANTED TO EXPLAIN.

3. SECRETARY SIMON SAID HE THOUGHT THE PROBLEM WAS TRANSITORY AND COULD BE SURMOUNTED. HE REGRETTED THE CONFIDENTIAL

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UNFORTUNATE STATEMENTS MADE BY SOME WHICH SINGLED OUT SAUDI ARABIA FOR ABUSE; IT WAS NATURAL IN A WAY THAT THE COUNTRY WITH THE MOST OIL AND THE GREATEST FINANCIAL RESERVES SHOULD BE SELECTED BY CRITICS OF US-ARAB FREINDSHIP FOR HECIAL TREATMENT. SECRETARY SAID HE WANTED CLEARLY TO UNDERSTAND THE BASES OF THE SAUDI BOYCOTT POSITION SO THAT HE COULD DEAL MORE KNOWLEDGEABLY WITH ANTI-BOYCOTT LEGISLATION THAT MIGHT BE SUBMITTED IN THE CONGRESS.

4. MINISTER SOLAIM COMMENTED THAT THE SAG KNOWS ABOUT THE CONGRESS AND WHAT IS SAID AND DONE THERE, BUT NOW IT HAS THE PRESIDENT'S STATEMENT, THE ACTIONS OF THE FEDERAL RESERVE, OF THE SECURITIES AND EXCHANGE EOMMISSION, AND OF THE COMMERCE DEPARTMENT. ALL OF THESE ACTIONS ARE

BY THE EXECUTIVE BRANCH; UNDER THE CIRCUMSTANCES, SOLAIM
THOUGHT SAG MIGHT EXPECT SOME DIFFICULT TIMES WITH THE
(USUALLY MORE CRITICAL) LEGISLATIVE BRANCH. SOLAIM SAID
THAT THE BOYCOTT PROBLEM IS DIFFICULT AND MUST BE TREATED
VERY WISELY. US FRIENDS OF SAUDI ARABIA SHOULD SPEAK UP
AND POINT TO THE BUSINESS OPPORTUNITIES WHICH WOULD BE
LOST IF MATTERS WORSENER. SAUDI ARABIA FOR ITS PART
SHOULD DO BETTER AT EXPLAINING ITS POSITION TO THE US
PUBLIC. SECRETARY SIMON STATED IT WOULD DO NO GOOD
AT ALL TO JUSTIFY DISCRIMINATION ON THE BASIS OF LOST
DOLLAR OPPORTUNITY -- IT WOULD ONLY MAKE MATTERS WORSE.
HE ALSO REMINDED THE SAG OFFICIALS THAT IT WAS A
PRESIDENTIAL YEAR AND THEY CERTAINLY KNEW HOW TO INTERPRET
THE ELECTION CLIMATE. THE SECRETARY ASKED MR. SEIDMAN
TO REVIEW THE REMARKS HE HAD MADE EARLIER IN THE DAY AT
THE JOINT COMMISSION MEETING.

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ACTION NEA-10

INFO OCT-01 ISO-00 TRSE-00 EB-07 SIL-01 COME-00 OPIC-03

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INFO AMCONSUL DHAHRAN

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C O N F I D E N T I A L SECTION 2 OF 2 JIDDA 1582

PASS TREASURY

ABU DHABI PLEASE PASS SECRETARY SIMON

5. MR. WEIDMAN REMARKED THAT HE HAD WORKED CLOSELY WITH PRESIDENT FORD ON THE NOVEMBER 20 STATEMENT AND THAT THE PRESIDENT HAD MADE IT PERFECTLY CLEAR THAT THE ADMINISTRATION'S ACTION WAS NOT DIRECTED AT ANY ONE COUNTRY. RATHER, THE NOVEMBER STATEMENT HAD BEEN A REAFFIRMATION OF US PRINCIPLES. MR. SEIDMAN EXPLAINED THE PRESIDENT HAD MADE A PERSONAL DISTINCTION BETWEEN A VOLUNTARY ACT TO AID ISRAEL AS COMPARED TO OFFICIAL POLICIES OF A GOVERNMENT THAT APPARENTLY REFLECT DISCRIMINATION ON GROUNDS OF RACE, RELIGION OR PLACE OF BIRTH.

6. MR. PARSKY REFERRED TO THE VISA QUESTION, SAYING WAY IN WHICH SAG'S VISA POLICIES IMPLEMENTED ENABLES SAG'S AMERICAN CRITICS TO MAKE THAT POLICY APPEAR DISCRIMINATORY ON ETHNIC RELIGIOUS GROUPS. MR. SEIDMAN SAID THE PRESIDENT WAS AWARE OF EFFORTS TO CONFIDENTIAL

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SHIFT THE BURDEN OF THE ARGUMENT FROM AN APPARENT EXCLUSION ON THE BASIS OF RELIGION TO ONE OF EXCLUSION ON GROUNDS OF IDEOLOGY. MR. PARSKY STATED THE SAG HAD BEEN VERY HELPFUL TO THE ADMINISTRATION BY PERMITTING THE COMMISSION NOT TO FILL IN THE RELIGIOUS AFFILIATION BLOCK ON THE VISA APPLICATION. HE URGED THE SAG TO PUT THIS PRACTICE INTO GENERAL USE. MINISTER ABA AL-KHAIL SAID THAT PRINCE SAUD WOULD DISCUSS THE MATTER AND AGREED THAT VISAS WERE CERTAINLY PART OF THE OVERALL PROBLEM.

7. MINISTER ABA AL-KHAIL ALSO SAID THAT SHIPMENT OF SOME GOODS WAS BEING HELD UP IN U.S. PORTS BECAUSE OF THE REFUSAL OF SOME BANKS TO HANDLE SAUDI LETTERS OF CREDIT. GOVERNOR QURAISHI INTERVENED TO SAY THAT THE FIRST REACTION TO THE FRB LETTER HAD BEEN CONFUSION. LATER, HOWEVER, THE LARGER BANKS IN NEW YORK AGREED TO CONTINUE TO WORK WITH SAUDI ARABIA ON APPROXIMATELY THE SAME TERMS AS BEFORE, ESPECIALLY AFTER THE FRB CLARIFICATION LETTER OF JANUARY 20. GOVERNOR QURAISHI SAID THE TROUBLE LAY WITH THE FRB'S LANGUAGE, AND HE ADDED SAMA WAS TRYING TO WORK OUT NEW LANGUAGE WHICH WOULD RECOGNIZE SAUDI ARABIA'S ANTI-ISRAELI PRINCIPLES BUT WHICH WOULD HAVE NOTHING TO DO WITH RELIGION.

8. MINISTER GHOSAIBI COMMENTED THAT THE SPECIFIC ISSUES MIGHT CHANGE BUT THE OBJECTIVE IN CERTAIN CIRCLES WOULD REMAIN THE SAME -- TO INJURE U.S.-SAG RELATION. AL-KHAIL SAID THAT WAS EXACTLY WHAT SAUDI ARABIA WAS MOST WORRIED ABOUT NOW. THE FUROR IN THE UNITED STATES OVER THE BOYCOTT AND SAUDI ARABIA'S VISA POLICIES CAUSED SAUDI IMPORTERS AND

BUSINESSMEN TO THINK TWICE ABOUT IMPORTING GOODS FROM THE U.S. HE COMMENTED THAT ALTHOUGH THAT MORNING THEY HAD SPOKEN ABOUT ENCOURAGING COMPANIES TO GET TOGETHER MORE (E.G. U.S. AND SAUDI) THERE WAS NOW TENDENCY TO HANG BACK ON BOTH SIDES. SECRETARY SIMON AGREED THAT UNCERTAINTY WAS THE ONE THING BUSINESSMEN WOULD NOT ACCEPT.

9. WITH REGARD TO THE JOINT COMMUNIQUE, MINISTER
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GHOSAIBI SAID THE COMMUNIQUE COULD NOT RPT NOT SUGGEST THAT EITHER SIDE (USG-SAG) HAD BACKED DOWN. SOLAIM SAID HE PRECEIVED AND AGREED WITH THE SPECIFIC LANGUAGE OF WHAT MR. SEIDMAN HAD SAID CONCERN NG THE PRESIDENT'S NOV 20 STATEMENT. HE STILL WISHED THE STATEMENT HAD SOPOKEN LESS CATEGORICALLY OF U.S. OPPOSITION TO BOYCOTTS OF NATIONS HAVING FRIENDLY RELATIONS WITH THE U.S. HE SAID THE PRESS HAD EXPLOITED THE NOVEMBER 20 STATEMENT AS BEING DIRECTED AT SAUDI ARABIA WHETHER THAT WAS THE INTENT OR NOT. WITH REFERENCE TO THE MODERATE NATURE OF KING KHALID'S REMARKS TO SECRETARY SIMON THE DAY BEFORE ON BOYCOTTS (JIDDA 1511), SOLAIM SAID IT WAS NOT POSSIBLE IN A PRESS COMMUNIQUE TO QUOTE THE MINUTES FROM AN AUDIENCE WITH THE KING. HE OFFERED, HOWEVER, TO INTRODUCE SIMILAR LANGUAGE INTO THE JOINT COMMUNIQUE (REPORTED SEPARATELY).

10. MINISTER GHOSAIBI THEN RAISED TWO POINTS IN RESPECT TO SAG INDUSTRIALIZATION PLANS: (A) HE ASKED IF THE USG WANTED TO PLAY A ROLE IN THE NEGOTIATIONS FOR THE PETROCHEMICAL COMPLEX OR DID THE U.S. WISH TO LEAVE THAT TO THE SAG AND THE COMPANIES? SECRETARY SIMON REPLIED THAT USG WOULD WISH TO BE KEPT INFORMED BUT COULD NOT PLAY A DIRECT ROLE. SUBSEQUENT CLARIFICATION OF SHOSAIBI'S QUERY RESULTED IN AN AFFIRMATION BY THE SECRETARY THAT THE U.S. WOULD PLAY A FACILITATIVE ROLE WHERE POSSIBLE TO ASSIST THE PARTIES IN REACHING AGREEMENT BUT WOULD NOT BE DIRECTLY INVOLVED. SECRETARY SIMON THEN REITERATED AN EARLIER COMMENT THAT THE BEST WAY TO GET THE BUSINESSMEN ON BOTH SIDES TOGETHER WAS THROUGH A BUSINESS COUNCIL OR SOME SIMILAR ARRANGEMENT FOR EXCHANGING INFORMATION -- SO LONG AS THE LIMITATIONS OF EXISTING LEGISLATION WERE TAKEN INTO ACCOUNT; (B) GHOSAIBI SAID HE HAD BEEN SURFEITED WITH CALLS BY CONSULTANTS, DESIGNERS, ENGINEERS, ARCHITECTS AND WHAT NOT, BUT RECEIVED VERY FEW CALLS FROM ENTREPRENEURS WHO WANTED TO INVEST IN SAUDI ARABIA. HE SAID SAUDI ARABIA DESIRED TO ESTABLISH SMALL TO MEDIUM JOINT VENTURES TO PRODUCE CANNED FOODS, CEREALS AND

SIMILAR CONSUMABLE GOODS, BUT THUS FAR HE HAD RECEIVED FEW OFFERS. ALL MINISTERS POINTED TO THE
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FAVORABLE DISPOSITION OF SAUDI ARABIA TOWARD FOREIGN INVESTMENT.
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